



San Diego County Treasury, California
An investment trust fund of the County of San Diego

COMPREHENSIVE ANNUAL FINANCIAL REPORT

2008



For the fiscal year ended June 30, 2008



Issued by Dan McAllister
San Diego County Treasurer - Tax Collector

SAN DIEGO COUNTY INVESTMENT POOL HIGHLIGHTS

- The San Diego County Investment Pool is rated AA Af/S1 by Standard and Poor's.
- Total net assets on June 30, 2008 total \$5.1 billion. Net assets increased \$505.9 million or 1.1% over the past fiscal year.
- Distributions to pool participants totaled \$197 million during the fiscal year ended June 30, 2008.
- The annualized weighted average effective yield of the Investment Pool was 3.33% for the year ended June 30, 2008.



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INTRODUCTORY SECTION

LETTER OF TRANSMITTAL FROM THE TREASURER



Dan McAllister
San Diego County Treasurer-Tax Collector





TREASURER-TAX COLLECTOR COUNTY OF SAN DIEGO

COUNTY ADMINISTRATION CENTER • 1600 PACIFIC HIGHWAY, ROOM 112
SAN DIEGO, CALIFORNIA 92101-2477 • (619) 531-5225 • FAX (619) 531-6411

Web site: <http://www.sdtreastax.com>



November 20, 2008

**Board of Supervisors and Treasury Oversight Committee, County of San Diego
San Diego County Administration Center. San Diego, California 92101**

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the San Diego County Investment Pool (the "Investment Pool") for the year ended June 30, 2008. This report and the annual audit are presented to demonstrate compliance with Section thirty-three of the Investment Pool's Money Fund Investment Policy (the "Investment Policy"). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Treasurer's Office.

To the best of our knowledge and belief, the enclosed data are accurate in all material respects, and are reported in a manner designed to present fairly the financial position and changes in financial position of the Investment Pool in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. All disclosures necessary to enable the reader to gain an understanding of the Investment Pool's financial activities have been included.

The Investment Pool's financial statements have been audited by Macias Gini & O'Connell LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Investment Pool for the year ended June 30, 2008, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Investment Pool's financial statements for the year ended June 30, 2008, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Management provides a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment the MD&A and should be read in conjunction with it. The Investment Pool's MD&A can be found after the independent auditor's report.

Profile of the San Diego County Investment Pool

The San Diego County Investment Pool (the “Investment Pool”) was created when the State Legislature established the five-member County Board of Supervisors in 1853. It is a local government Pool with \$5.1 billion in assets as of June 30, 2008. The Investment Pool is headed by the San Diego County Treasurer-Tax Collector, an elected official that is responsible for tax collection, banking, investment, disbursement and accountability of public funds. The Investment Pool is managed by the Treasurer’s Office on behalf of the Investment Pool participants. The County portion of the Investment Pool assets as of June 30, 2008 is \$1.9 billion while the external, non-County portion is \$3.2 billion. Depositors in the Investment Pool include both Mandatory and Voluntary participants located within the County of San Diego (see Investment Pool Participants list and chart, on pages 38 and 39).

Mandatory participants include the County of San Diego, K-12 school districts, and various special districts and accounts controlled by the County Board of Supervisors. Mandatory participants are defined as those agencies required by law to deposit their funds with the County Treasurer’s Office. Mandatory participants comprise the majority of the Investment Pool’s assets, approximately 96.5% as of June 30, 2008.

Voluntary participants are those agencies that are not required to place their funds in the Investment Pool, and do so only as an investment option. Voluntary participants include cities, fire districts, and various special districts. As of June 30, 2008, Voluntary participants accounted for approximately 3.5% of the Investment Pool.

Community Colleges have characteristics of both Mandatory and Voluntary participants. While they have the authority to invest funds outside of the Investment Pool, Community Colleges receive banking, checking, and investment services from the County. In this financial report, they are categorized as Mandatory participants.

In addition to investment management, the Treasurer’s Office also provides banking services to all Mandatory Participants. These services include, but are not limited to, warrant redemption, electronic fund transfers, acceptance of deposits, and fund accounting.

Investment Policies and Practices

The primary objectives of the Investment Pool, as set forth in the Investment Policy, in order of importance, are safety, liquidity, and yield. The following goals have been set for the next fiscal year 2008/2009:

- Promote fiscal stability by maintaining ‘AAAF/S1’ rating from Standard & Poor’s rating service.
- Improve investment benchmark management process by continuing implementation of the portfolio analysis application.
- Improve constituent outreach by increasing public awareness of services offered by the Investment Division.
- Obtain a certificate of achievement for excellence in financial reporting by the Government Finance Officers Association.
- Achieve national certification of the Investment Policy by the Association of Public Treasurers of the United States & Canada.

The Treasurer's Office prepares the Investment Policy on an annual basis, to ensure the integrity of the Investment Pool and to provide guidelines for its operation. Upon completion of the Investment Policy by the Treasurer's Office, it is presented for review to the Treasurer's Oversight Committee, and then to the County Board of Supervisors for their approval at a public meeting.

The maturity distribution of the Investment Pool is limited by the Investment Policy, which places restrictions on the securities that may be purchased. Cash temporarily idle during the year was invested in negotiable certificates of deposit, obligations of the U.S. Treasury, U.S. government agencies, commercial paper, corporate bonds and medium-term notes, asset-backed securities, money market mutual funds, repurchase agreements and collateralized certificates of deposit. The maturities of the investments range from one day to five years, with an average weighted maturity of 427 days. The weighted average effective yield (annualized) on investments as of June 30, 2008 was 3.33%. To safeguard the investments, a custodian is employed to safekeep, settle, and accept interest payments on investments held by the Investment Pool. To facilitate internal security and safeguards, the Investment Policy requires an annual audit and the establishment and maintenance of internal controls and procedures.

For the 2007/2008 fiscal year, investments provided a 4.61% apportionment rate, which is the rate used in allocating the net earnings to the participants. The Investment Pool's average rate of return over the last three years was 4.36% and 3.38% over the last five years. The Treasurer's Office has implemented a system of internal controls designed to ensure the reliability of reported investment information. The Treasurer's Office provides monthly investment reports for the Treasury Oversight Committee, who monitors the management of funds and reviews the Investment Policy. Please refer to the Investment Section of this CAFR for additional information on investments.

Significant Events of the Year

During the fiscal year 2007/2008, significant events included:

(1) The Investment Pool remained rated 'AAAf/S1' by Standard & Poor's, a nationally recognized rating agency. This rating reflects the extremely strong protection the Investment Pool's portfolio investments provide against losses from credit defaults. The 'S1' volatility rating signifies that the Investment Pool possesses low-sensitivity to changing market conditions, given its low-risk profile and conservative investment policies. Rating considerations included:

- Low exposure to market risk, by virtue of conservative investment policies and practices.
- Limited use of leverage.
- High standards for credit quality and diversification.
- High degree of liquidity resulting from maturity profile and composition of Investment Pool participants.
- Strong ability to forecast ongoing cash requirements.
- Solid management oversight and operational controls.

(2) Market volatility and an ongoing credit crisis contributed to slowing economic growth during fiscal year 2007/2008. Throughout this period of economic uncertainty, the Investment Pool remained invested in securities of the highest quality. Holdings of Treasury and Agency securities were increased to 67.0% of the Portfolio as of June 30, 2008, compared to 21.2% at the prior fiscal year end. Actions taken during the past year in response to the economic conditions include the following:

- Purchases of corporate securities were limited to maturities under 30 days.
- The number of Government-focused money market funds was expanded.
- Purchases of commercial paper were limited to non-financial firms when possible.
- Certificate of Deposit maturities were limited to six months.

(3) In response to the weakening financial markets, the Federal Reserve reduced the Federal Funds rate by 325 basis points during Fiscal Year 2007/2008. The rate had previously remained constant at 5.25% for fiscal year 2006/2007. As a result of these rate cuts, interest rates on fixed income securities declined significantly; and the Investment Pool's yield decreased by 190 basis points from the prior fiscal year end. In anticipation of slowing economic conditions, the Investment Pool had invested a portion of its assets in securities with longer term maturities prior to the rate decreases, allowing the yield to remain above 3.4% throughout the fiscal year.

County of San Diego's Economic Condition

Like the national economy, the County has been impacted by the economic slump for most of fiscal year 2007/2008. As expected, the job growth for the first half of 2008 turned negative, marking the first time since 1993 that job growth has been negative over a six-month period when compared to the previous year. As of September 2008, San Diego's unemployment rate stood at 6.4%, compared with 4.8% last year. As of August 2008, the Standard and Poor's/Case Shiller Home Price Index showed San Diego County home prices down 25.8% from the prior year. Based on the current economic statistics, local economists expect continued weakness through the first half of 2009 and potentially beyond.

Despite the current economic conditions, the County of San Diego has maintained fiscal stability within the discipline of the General Management System that establishes strong fiscal management practices. This fiscal discipline has allowed the County to maintain a \$55.5 million general fund reserve. This set aside will be applied to meet the needs of unforeseen economic and operational uncertainties that may arise during fiscal year 2008/2009. The County's fiscal responsibility was validated by the recent upgrade in its general obligation debt rating from "AA" to "AAA" from Standard & Poor's.

Awards and Acknowledgement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Investment Pool for its Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2007. This was the tenth consecutive year that the Investment Pool has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the Treasurer's Office must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe this current report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of many individuals in the Treasurer's Office. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions and determining responsible stewardship of the funds in the Investment Pool.

Requests for Information

This financial report is designed to provide a general overview of the Investment Pool's activities during fiscal year 2007/2008. Questions concerning any of the information provided in this report or requests for additional financial information, including a complete list of the Investment Pool's current holdings, should be addressed to the Office of San Diego County Treasurer-Tax Collector, 1600 Pacific Highway, Room 152, San Diego, California, 92101. Copies of the comprehensive annual financial report will also be available on the Internet at www.sdtreastax.com.

Respectfully,



Dan McAllister
Treasurer-Tax Collector

Certificate of Achievement for Excellence in Financial Reporting

Presented to

San Diego County Investment Pool
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Charles S. Cox

President

Jeffrey R. Emer

Executive Director



TREASURY OVERSIGHT COMMITTEE MEMBERS



From left to right

Lora Duzyk

Helen Robbins-Meyer

Don Steuer

Vernon Evans

Dan McAllister

Barry Newman

Chris Zapata

Annette Hubbell

Tracy Sandoval

Renee Wasmund

Not pictured

James Masias

Wilmer Cooks

Janel Pehau

William Smith

Dan McAllister

Treasurer-Tax Collector
County of San Diego

Helen Robbins-Meyer

Assistant Chief Administrative Officer
County of San Diego

James Masias

Chief Financial Officer
San Diego Unified School District

Chris Zapata

City Manager
City of National City

Lora Duzyk

Asst. Superintendent of Business Services
San Diego County Office of Education

Barry I. Newman, Esquire

Chairman of Oversight Committee
Public Member

Vernon Evans

Vice President Finance/Treasurer
San Diego County Regional Airport Authority

Annette Hubbell

General Manager
Rincon del Diablo Metropolitan Water District

Wilmer Cooks

Business Owner
Public Member

Tracy Sandoval

Asst. Chief Financial Officer/
Auditor & Controller
County of San Diego

Janel Pehau

Office of Financial Planning Director
County of San Diego
(Alternate to Tracy Sandoval)

EX-OFFICIO**Donald Steuer**

Chief Financial Officer
County of San Diego

Renee Wasmund

Chief Financial Officer
San Diego Association of Governments

COUNTY STAFF**William Smith**

Senior Deputy County Counsel
County of San Diego

TREASURER-TAX COLLECTOR ORGANIZATIONAL CHART



INVESTMENT POOL STAFF MEMBERS

Lisa Marie Harris, CPFA

Chief Deputy Treasurer

Rob Castetter

Chief Investment Officer

Rebecca Shobe

Accounting Manager

Mark Van Den Herik, CFA

Investment Officer

Michelle Durgy

Investment Officer

Erik Mezack, CGFM, CPA

Assistant Accounting Manager

Tony Wen

Senior Accountant

Bobby Bacasen

Associate Accountant

Su-Cheng Wang

Associate Accountant

Grace Cacho-Librado

Senior Accountant

Gregg Rosner

Staff Accountant

Connie Myrick

Senior Accountant

Jing Hua

Associate Accountant

Tessie Verzosa

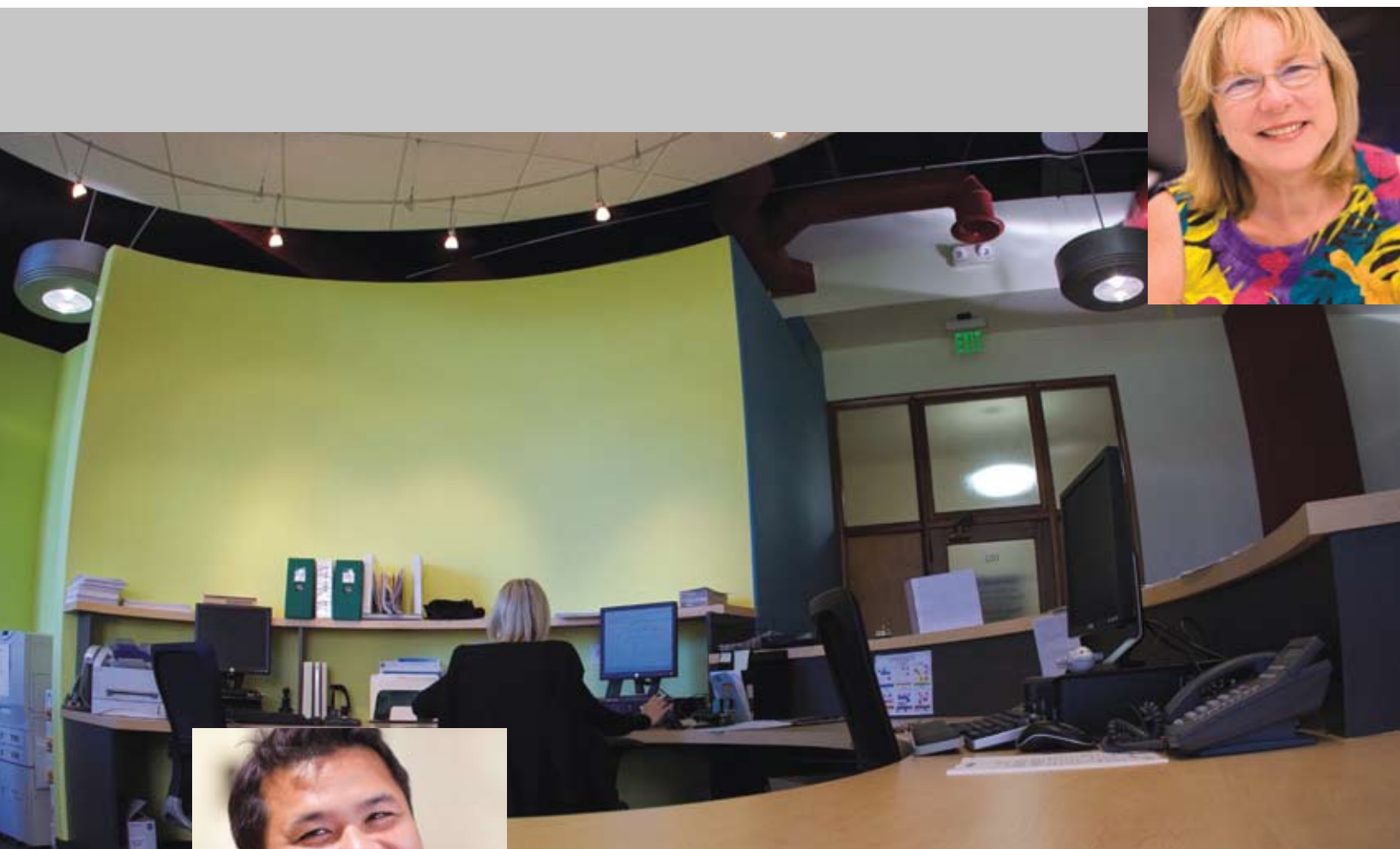
Supervising TTC Specialist

Rosella Perez

Supervising TTC Specialist

Carmen Perez

Senior TTC Specialist



FINANCIAL SECTION

The following analysis primarily focuses on the Investment Pool's current year results in comparison with the prior year. We hope that the information presented here, and in the Letter of Transmittal, provides you with a solid understanding of the Investment Pool's financial status as of June 30, 2008.





MACIAS GINI & O'CONNELL LLP
CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
County of San Diego, California

We have audited the accompanying basic financial statements of the San Diego County Investment Pool (the "Investment Pool") of the County of San Diego, California, as of and for the year ended June 30, 2008. These financial statements are the responsibility of the Investment Pool's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Investment Pool's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Investment Pool and do not purport to, and do not, present fairly the financial position of the County of San Diego, California, as of June 30, 2008, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Investment Pool as of June 30, 2008, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 20 through 22, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Investment Pool. The introductory, investment and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory, investment and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Macias Gini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
November 20, 2008

San Diego County Investment Pool
Management's Discussion and Analysis
Unaudited, June 30, 2008

As management of the San Diego County Investment Pool (the "Investment Pool"), we offer readers of the Investment Pool's financial statements this narrative overview and analysis of the financial activities of the Investment Pool for the year ended June 30, 2008.

The following analysis primarily focuses on the Investment Pool's current year results in comparison with the prior year. We hope that the information presented here, and in the Letter of Transmittal, provides you with a solid understanding of the Investment Pool's financial status as of June 30, 2008.

Financial Results

- The assets of the Investment Pool exceeded its liabilities at the close of the most recent fiscal year by \$5.1 billion (net assets).
- The Investment Pool's total net assets increased by \$505.9 million. This represents a net increase of 11.1% over the prior fiscal year.
- The net investment income of the Investment Pool, which includes the change in market value from the prior year, increased by 55.5% from \$184.3 million for the year ended June 30, 2007 to \$286.7 million for the year ended June 30, 2008.
- During the year, the Investment Pool distributed \$197.3 million to participants compared to the previous year's distribution of \$202.2 million. This represents a decrease of \$4.9 million (2.4%) over the last fiscal year.
- The Investment Pool's expense ratio was competitive at 0.13% of the average daily balance for the fiscal year 2007/08 and 0.14% for the fiscal year 2006/07.
- The fair value of the Investment Pool showed an undistributed and net unrealized gain of \$17.4 million (0.3% of portfolio fair value) on June 30, 2008, compared to an undistributed and net unrealized loss of \$4.3 million (0.1%) on June 30, 2007.

During fiscal year 2007/2008, the Federal Open Market Committee (FOMC) decreased interest rates by 325 basis points. This decline in rates resulted in a decreased yield for the Investment Pool, compared to the prior fiscal year. In the latter portion of fiscal year 2005/2006, the investment team began to extend the weighted average maturity of the fund to lock in higher rates. This strategy enabled the Investment Pool to distribute earnings at a level comparable to the prior fiscal year, despite the dramatic decline in interest rates. The decrease in prevailing interest rates also served to increase the market value of the existing Investment Pool holdings in many categories, most notably in Treasury and Agency securities.

Overview of the Investment Pool Financial Statements

This discussion and analysis are intended to serve as an introduction to the basic financial statements.

The Investment Pool's basic financial statements consist of two components:

- 1-A) Statement of Net Assets, 1-B) Statement of Changes in Net Assets
- 2) Notes to the Basic Financial Statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

The Statement of Net Assets presents information on the Investment Pool's assets and liabilities, with the difference between the two reported as net assets.

Net Assets

The Investment Pool net assets increased by \$505.9 million (11.1%) for the year ended June 30, 2008. The most significant increases were for Community College Districts, which increased by \$250.2 million, and for K-12 schools, which increased by \$208.3 million. The majority of these increases were a result of the investment of bond proceeds in the Investment Pool by the following districts: San Diego Community College with \$224.9 million and Sweetwater Union High School with \$180.0 million.

A summary of the Investment Pool's net assets is presented below.

San Diego County Investment Pool - Statement of Net Assets (amounts expressed in thousands, except percentages)					
	As of June 30,			Variance 2008 vs. 2007	
	2008	2007	2006	Amount	Percentage
ASSETS					
Investments at Fair Value	\$5,028,274	\$4,550,152	\$3,993,868	\$478,122	10.5%
Cash and Receivables	90,609	81,004	55,505	9,605	11.9%
Total Assets	5,118,883	4,631,156	4,049,373	487,727	10.5%
LIABILITIES					
Distributions Payable and Accrued Expenses	46,418	64,545	41,195	(18,127)	-28.1%
Total Liabilities	46,418	64,545	41,195	(18,127)	-28.1%
Net Assets Held in Trust for Pool Participants	\$5,072,465	\$4,566,611	\$4,004,178	\$505,854	11.1%

Changes in Net Assets

The Statement of Changes in Net Assets presents information on how the Investment Pool's net assets changed during the most recent fiscal year. The additions include additions to investments, interest income and changes in fair value of investments. Unrealized gains or losses of securities are determined by taking the difference between amortized cost and the fair value of investments. The deductions consist of deductions from investments, distributions to Investment Pool's participants and administrative expenses.

All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, additions and deductions are reported in this statement for some items that will result in cash flows in future fiscal periods.

A summary of the changes in the Investment Pool's net assets is presented below:

San Diego County Investment Pool - Statement of Changes in Net Assets (amounts expressed in thousands, except percentages)					
	Fiscal Year Ended June 30,			Variance 2008 vs. 2007	
	2008	2007	2006	Amount	Percentage
ADDITIONS					
Additions to Pooled Investments	\$11,314,635	\$11,909,699	\$28,473,114	\$(595,064)	-5.0%
Net Investment Income	286,655	184,286	169,044	102,369	55.5%
Total Additions	11,601,290	12,093,985	28,642,158	(492,695)	-4.1%
DEDUCTIONS					
Deductions from Pooled Investments	10,893,809	11,325,006	28,629,147	(431,197)	-3.8%
Distributions to Participants	197,272	202,150	136,174	(4,878)	-2.4%
Administrative Expenses	4,355	4,396	3,958	(41)	-0.9%
Total Deductions	11,095,436	11,531,552	28,769,279	(436,116)	-3.8%
Changes in Net Assets	505,854	562,433	(127,121)	(56,579)	-10.1%
Net Assets Beginning of Year	4,566,611	4,004,178	4,131,299	562,433	14.0%
Net Assets End of Year	\$5,072,465	\$4,566,611	\$4,004,178	\$505,854	11.1%

Additions to pooled investments decreased by \$595.1 million, or 5.0%, from the previous year. Deductions from pooled investments decreased by \$431.2 million, or 3.8%, from the previous fiscal year. The Investment Pool balance increased significantly by 11.1%, but the reduced activity in additions and deductions reflects an overall weakness in the economy and somewhat reduced revenues for many of the entities that participate in the Investment Pool. Investment income increased by \$102.4 million due to an increase in market values of investments and an increase in the average amount invested in the Investment Pool, as discussed on page 21 in the section titled "Net Assets".

The Investment Pool is managed for the sole benefit of the participants. All income is distributed quarterly after deducting investment and administrative costs. While the net investment income increased for the fiscal year, due to an increase in market values of the Investment Pool holdings, the actual distributions to participants decreased slightly. The Investment Pool, in practice, holds all investments to maturity, based on a detailed cash flow analysis. Therefore, any undistributed gains or losses as a result of market value fluctuations are not reflected in the distributions to participants. These distributions to participants reflect only the actual interest income received during the fiscal year. Distributions to participants decreased slightly by \$4.9 million, 2.4%, due to a decline in interest rates on Investment Pool securities. This decrease is reflective of the interest rate environment and the Investment Pool's transition to investments of lower risk as the current economic situation unfolds. Administrative expenses remained consistent last year, decreasing slightly by 0.9%.

San Diego County Investment Pool - **Statement of Net Assets**

As of June 30, 2008 (amounts expressed in thousands)

ASSETS

Investments at Fair Value:

U.S. Government Agencies:

Federal Home Loan Mortgage Corporation Notes \$1,036,044

Federal Home Loan Bank Notes 1,047,146

Federal National Mortgage Association Notes 841,707

Federal Farm Credit Bank Notes 90,053

U.S. Treasury Notes 377,359

Commercial Paper 619,295

Corporate Medium-Term Notes 98,270

Repurchase Agreements Collateralized By

Money Market Securities 350,000

Government Agencies 10,677

Negotiable Certificates of Deposit* 440,035

Money Market Mutual Funds 43,270

Bond Funds 34,895

Asset-Backed Notes 39,523

Total Investments at Fair Value 5,028,274

Other Assets:

Cash on Hand and in Banks 49,911

Receivables and Other 40,698

Total Assets 5,118,883**LIABILITIES**

Distributions Payable 44,561

Accrued Expenses 1,857

Total Liabilities 46,418**NET ASSETS****\$5,072,465**

Net Assets Consist of:

Participant Units Outstanding (\$1.00 par) \$5,055,061

Undistributed and Unrealized Gains/Losses 17,404

Net Assets \$5,072,465

Participant Net Asset Value at Fair Value Price per Share

(\$5,072,465 divided by 5,055,061 units) **\$1.003**

See Notes to the Basic Financial Statements

*Includes \$65,000 of Collateralized Certificates of Deposit

San Diego County Investment Pool - **Statement of Changes in Net Assets**

Fiscal Year Ended June 30, 2008 (amounts expressed in thousands)

ADDITIONS	
Additions To Pooled Investments	\$11,314,635
Investment Income:	
Net Decrease in Fair Value of Investments	85,028
Interest	203,424
Less Expenses	(1,797)
Net Investment Income	286,655
Total Additions	11,601,290
DEDUCTIONS	
Deductions From Pooled Investments	10,893,809
Distributions To Participants	197,272
Administrative Expenses	4,355
Total Deductions	11,095,436
Change in Net Assets	505,854
Net Assets, Beginning of Year	4,566,611
Net Assets, End of Year	\$5,072,465

See Notes to the Basic Financial Statements

San Diego County Investment Pool**Notes to the Basic Financial Statements****For the Year Ended June 30, 2008****Summary of Significant Accounting Policies****The Financial Reporting Entity**

The San Diego County Investment Pool (the "Investment Pool") is a part of the County of San Diego and is responsible for approximately \$5.1 billion in assets as of June 30, 2008. The Investment Pool is administered by the Treasurer-Tax Collector, an elective office that is responsible for tax collection, banking, investment, disbursement and accountability of public funds. The Investment Pool is managed by the County Treasurer's Office on behalf of the Investment Pool participants.

The Investment Pool participants include the County, local school districts, local community colleges and other districts and agencies. The local school districts are required by State statutes to deposit their funds with the County of San Diego. "Mandatory" participants in the Investment Pool comprise the majority of the Investment Pool's assets, at 96.5%. All participants comply with the same requirements per the Investment

Policy. The State of California gives the Board of Supervisors the ability to delegate the investment authority to the County Treasurer's Office in accordance with Section 53607 of the California Government Code. The Investment Pool's investment objectives are to safeguard principal, meet the liquidity needs of the participants, and return an acceptable yield within the parameters of prudent risk management.

Pursuant to Sections 27130-27137 of the California Government Code, the Board of Supervisors has established the Treasurer's Oversight Committee ("TOC") that monitors and reviews the Investment Policy. The TOC consists of members appointed from the districts or offices that they represent, and up to five members of the public, having expertise in, or an academic background in public finance. This Committee requires a financial audit to be conducted annually on a fiscal year basis, which includes limited tests of compliance with laws and regulations. The Investment Pool is not registered with the Securities and Exchange Commission ("SEC") as an investment company. The Investment Pool does not have any legally binding guarantees of share values.

Measurement focus, basis of accounting and financial statement presentation

The accompanying financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Earnings on investments are recognized as revenue in the period in which they are earned and administrative costs are recognized as expenses when incurred, regardless of the timing of related cash flows. Investment Pool participants' cash balances and withdrawals are based on cost while investments are reported at fair value.

Assets, liabilities and net assets

1. Deposits

At year-end, the carrying amount of the Investment Pool's deposits was \$49,911,063 while the related bank balance with various financial institutions totaled \$49,901,163. The difference between the carrying amount and the bank balance included temporary reconciling items such as cash on hand, outstanding checks, and deposits in transit. The bank balance amount with various financial institutions consisted of \$14,901,163 in demand deposits and \$35,000,000 in insured time deposits. Of the total bank balance amount, \$35,200,000 was covered by federal deposit insurance and \$14,701,163 was collateralized with securities held by a named agent depository on behalf of the Investment Pool as required by California Government Code Section 53656. The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

Custodial Credit Risk. The Investment Pool does not have a formal policy regarding sweep (deposit) accounts, but the practice is to utilize national or state chartered banks where the excess over FDIC insurance is invested in repurchase agreements that are collateralized by U.S. Treasury and Federal Agency securities equal to or greater than the deposit amount in accordance with California Government Code.

2. Pool Investments

The Investment Pool operates under the prudent person standard. Specifically, California Government Code Sections 27000.1-27000.5, 27130-27137, and 53600-53686 authorize the Treasurer to invest funds in permissible types of investment or financial instruments. These include: U.S. treasuries, Federal agencies, local agency obligations, banker's acceptance, commercial paper, medium-term notes/bonds, negotiable certificates of deposit, repurchase and reverse repurchase agreements, pass-through securities, money market mutual funds, and local agency investment funds.

Investment Pool Policy Restrictions versus Government Code 53601 Requirements

Investment Type	Maximum Maturity		Maximum % of Portfolio		Maximum % with One Issuer		Minimum Rating	
	Gov. Code	Pool Policy	Gov. Code	Pool Policy	Gov. Code	Pool Policy	Gov. Code	Pool Policy
US Treasury and agency obligations	5 years	5 years	None	None	None	25%	None	None
Local agency obligations	5 years	5 years	None	15%	None	10%	None	A
Bankers' acceptances	180 days	180 days	40%	40%	30%	5%	None	A
Commercial paper	270 days	270 days	40%	40%	10%	(1)	A-1	A-1
Negotiable certificates	5 years	5 years	30%	30%	30%	5%	None	A
Repurchase agreements	1 year	1 year	None	40%	None	(2)	None	None
Reverse repurchase agreements	92 days	92 days	20%	20%	None	5%	None	None
Local agency investment fund of California	N/A	N/A	None	10%	None	10%	None	None
Medium term notes/bonds	5 years	5 years	30%	30%	30%	5%	A	A
Mutual funds	N/A	N/A	20%	15%	10%	10%	AAA	AAA
Pass-through securities (3)	5 years	5 years	20%	20%	None	5%	A	A

(1) Maximum exposure per issuer - The maximum exposure to a single issuer shall be 5% of the portfolio when the dollar weighted average maturity is greater than 5 days, 10% of the portfolio when the dollar weighted average maturity is 5 days or less.

(2) Maximum exposure per issue - The maximum exposure to a single Repurchase Agreement (RP) issue shall be 10% of the portfolio value for RP's with maturities greater than 5 days, 15% of the portfolio for RP's maturing in 5 days or less.

(3) Limited to equipment leasebacked certificates, consumer receivable pass-through certificates or consumer receivable-backed bonds.

The Investment Pool's primary objective is to safeguard the principal of the funds. The secondary objective is to meet the liquidity needs of the participants. The third objective is to achieve an investment return on the funds within the parameters of prudent risk management.

Investments in the Investment Pool are stated at fair value. Securities, which are traded on a national exchange, are valued at the last reported sales price at current exchange rates. The fair value of investments is determined monthly and is provided by the custodian bank. Repurchase Agreements and Institutional Money Market funds are carried at portfolio book value (carrying cost). Open-end Institutional Money Market funds are not categorized by custodial credit risk because the investment in these funds is not evidenced by specific securities. All purchases of investments are accounted for on a trade-date basis. Unrealized gains or losses of securities are determined by taking the difference between amortized cost and the fair value of

investments. The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments that were held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year(s) and the current year. The Investment Pool is authorized to have leverage exposure through the use of Reverse Repurchase Agreements (RRP) and Securities Lending. The maximum exposure is 20% of the total portfolio. There were no RRP's or securities lending transactions during the fiscal year.

As of June 30, 2008, the maturity levels and credit ratings by investment type are presented in the following table. The balances are reported using the weighted average days to maturity (WAM) method.

San Diego County Investment Pool - Investment Statistics								
As of June 30, 2008. The entire portfolio is not subject to custodial credit risk (amounts expressed in thousands, except percentages)								
	S&P Rating	Rate Range %	Maturity Date Range	Par Value (000)	Amortized Cost (000)	Fair Value (000)	Yield To Maturity	WAM (In Days)
U.S. GOVERNMENT AGENCIES								
US Treasury Notes	AAA	3.13 - 4.88	09/08 - 04/13	\$370,005	\$370,085	\$377,359	4.14%	857
Federal Farm Credit Bank Notes	AAA	3.05 - 5.05	10/09 - 10/11	89,034	88,930	90,053	3.91%	720
Federal Home Loan Bank Notes (1)	AAA	1.95 - 6.63	07/08 - 01/13	1,041,624	1,041,307	1,047,146	3.70%	651
Federal Nat'l Mortgage Assn. Notes (1)	AAA	1.90 - 5.00	07/08 - 10/11	842,181	842,201	841,707	3.08%	285
Federal Home Loan Mortgage Corp. Notes (1)	AAA	3.00 - 6.00	07/08 - 02/13	1,032,131	1,032,502	1,036,044	3.55%	706
Medium-Term Notes - 30/360	A+	3.60 - 5.88	10/08 - 03/12	97,500	98,667	98,270	4.28%	740
Commercial Paper	A-1/A-1+	2.36 - 2.66	07/08 - 08/08	620,000	619,374	619,295	2.47%	15
Bond Funds	AA	2.50	07/08	35,000	35,000	34,895	2.50%	1
Asset-Backed Notes (Semi-Annual)	AAA	5.30	05/09	25,000	24,992	25,410	5.34%	324
Asset-Backed Notes (Monthly)	AAA	4.35	05/09	14,000	13,865	14,113	5.55%	319
Repurchase Agreements and Sweep	---	1.83 - 2.57	07/08	360,677	360,677	360,677	2.52%	1
Negotiable Certificates of Deposit	A-1/A-1+	2.40 - 5.36	07/08 - 08/08	375,000	375,000	375,035	3.29%	20
Open-End Inst'l. Money Market Funds	AAA	1.82 - 2.27	07/08	43,270	43,270	43,270	2.25%	1
Collateralized Certificates of Deposit (Act/360)	---	2.60 - 2.85	01/09	35,000	35,000	35,000	2.67%	213
Collateralized Certificates of Deposit (Act/365)	---	2.32 - 3.57	11/08 - 05/09	30,000	30,000	30,000	2.77%	236
Time Deposits (Act/360)*	---	2.90 - 4.38	08/07 - 05/08	396	396	396	3.61%	194
Time Deposits (Act/365)*	---	1.95 - 4.89	07/08 - 05/09	34,604	34,604	34,604	4.24%	100
Total Investments				\$5,045,422	\$5,045,870	\$5,063,274	3.33%	427

* Time Deposits are classified as Cash on Hand and in Banks in the Statements of Net Assets

(1) These represent U.S. agencies whose debt is not guaranteed by the U.S. government and is greater than 5% of pooled investments.

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. To mitigate this risk, the Investment Policy limits the amount of exposure to any one single issuer to the percentages listed in the table below. As noted below, the Investment Policy is more restrictive, in most cases, than the California Government Code. As of June 30, 2008, all investments are in compliance with State law and with the Investment Policy.

In accordance with GASB 40, instruments in any one issuer that represent 5% or more of the Investment Pool holdings, as of June 30, 2008, are as follows (in thousands):

Issuer	Reported Amount
Federal Home Loan Bank	\$1,047,146
Federal Home Loan Mortgage Corporation	1,036,044
Federal National Mortgage Association	841,707

Credit Risk. Credit risk exists when there is the possibility that the issuer or other counterparty to an investment may be unable to fulfill its obligations. To mitigate this risk, the Investment Policy, which is more restrictive than the Government Code, places a minimum standard on the ratings of investments held in the Investment Pool. Investments in securities other than those guaranteed by the U.S. Treasury or Government Sponsored Enterprises, must have a credit rating of no less than "A" for long-term or "A1" for short-term. Non-rated securities include Repurchase Agreements and Sweep Accounts, Collateralized Certificates of Deposits and Time Deposits, and must either be FDIC insured or collateralized with securities held by a named agent of the depository.

Custodial Credit Risk. Custodial credit risk for investments exists when, in the event of a failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The County of San Diego utilizes third party delivery versus payment custodian, which mitigates any custodial credit risk. No level three investments were held during the fiscal year ended June 30, 2008, and there was no securities lending.

Foreign Currency Risk. The Investment Pool does not have any foreign currency risk as all investments in the Investment Pool are in U.S. dollar-denominated assets.

Interest Rate Risk. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, investments of longer maturities are more sensitive to changes in market interest rates.

To mitigate the effect of interest rate risk, the Investment Pool maintains a laddered portfolio in compliance with the Investment Policy, which requires 25% of securities to mature within 90 days, 25% to mature from 91-365 days, and no more than 50% to mature within one to five years. In addition, the Investment Pool limits the maximum effective duration of the portfolio to 18 months. As of June 30, 2008, the Investment Pool was in full compliance with its own more restrictive Investment Policy, and therefore was also in compliance with State Code.

California State Code Section 53601 indicates where the Code does not specify a limitation on the term or remaining maturity at the time of the investment, no investment shall be made in any security, other than a security underlying a repurchase or reverse repurchase agreement or securities lending agreement authorized by this section, that at the time of the investment has a term remaining to maturity in excess of five years, unless the legislative body has granted express authority to make that investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment.

3. Receivables and Payables

Receivables primarily consist of interest accrued on investments. The payables represent the interest for the last quarter that will be credited to Investment Pool participants and earnings along with earnings are reinvested. Accrued expenses represent the administrative fees for the last quarter of the fiscal year 2007/2008.

4. Interest Apportionment

Earnings realized on investments based on amortized cost are distributed to Investment Pool participants and are calculated using the accrual basis of accounting. Section 27013 of the California Government Code authorizes the Treasurer's Office and Auditor & Controller's Office to deduct administrative fees related to investments. The net realized earnings on investments are apportioned to the Investment Pool participants quarterly, based on the participant's average daily balances. During the year ended June 30, 2008, the Investment Pool distributed \$197.3 million of investment earnings compared to the previous year's distribution of \$202.1 million. These investment earnings are classified as distributions to participants on the Statement of Changes in Net Assets and are reinvested into the Investment Pool.

5. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

6. Investment Pool Composition

The County portion of the Investment Pool net assets as of June 30, 2008 is \$1.9 billion. As of June 30, 2008, the Investment Pool participants by percentage of net assets consist of:

Participant Allocation As of June 30, 2008	
Schools	43.17%
County Funds	36.72%
Community Colleges	12.36%
Non County Funds	3.95%
Voluntary Depositors	3.46%
Undistributed and Unrealized Gains/Losses	0.34%
Total	100.00%

7. Related Party

Certain costs allocated by the Investment Pool to pool participants include salaries and benefits, services and supplies, overhead and equipment totaling \$4.4 million in the current fiscal year.

8. Subsequent Events in the Financial Markets

Subsequent to June 30, 2008, significant events have taken place in the financial markets that warrant discussion as related to the Investment Pool. While these events do not have a material impact on the market values of investments held as of year-end, nor as of the date of publication, a disclosure is provided herein to educate the average financial statement reader who seeks a basic understanding of these events. Updated market values for the Investment Pool's holdings can be viewed on the Treasurer-Tax Collector's website: www.sdtreastax.com.

Government Sponsored Enterprises. As of June 30, 2008, the Investment Pool held 59.5% of its assets in debt instruments of government sponsored enterprises (GSE's), including Federal National Mortgage Association and Federal Home Loan Mortgage Corporation. On July 30, 2008, House Resolution 3221 was signed into law, thereby granting the Secretary of the Treasury the authority to directly invest in these GSE's and the Federal Home Loan Banks. On September 7, 2008, the Secretary of the Treasury invoked this

authority, placing the two GSE's under conservatorship. There has been no material impact to the value of assets held in the Investment Pool as a result of this action. In fact, the actions of the Treasury serve to further protect these investments, as they are now explicitly guaranteed by the United States Government.

Banking Consolidation. In the months subsequent to June 30, 2008, there have been several bank closures and consolidations. Due to the highly conservative nature of the Investment Policy, the Investment Pool has not been impacted by these events. As of year-end and as of the publication date of this financial report, the Investment Pool had no holdings exposure to any of the following:

- Lehman Brothers
- AIG
- Merrill Lynch
- International Lease Finance Corporation
- American General Finance Corporation
- Washington Mutual, Inc.
- The Reserve Primary Fund
- Wachovia

Emergency Economic Stabilization Act of 2008. On October 3, 2008, the President signed House Resolution 1424 to add liquidity in the financial sector by purchasing certain "troubled assets" held by banking institutions. The Investment Pool is not exposed to any securities that may be purchased under this arrangement; therefore, this action does not have a material impact to the financial statements.

In addition, the Act temporarily raises the Federal Deposit Insurance Corporation limit to \$250,000. Since the bank deposits of the Investment Pool are subject to collateralization per the California State Government Code, this increase does not materially impact the Investment Pool holdings.



INVESTMENT SECTION

This section provides investment highlights and statistics for the fiscal year 2007 - 2008 and an outline of the Investment Policy.

Administrative Overview

The San Diego County Investment Pool (the “Investment Pool”) was created when the State Legislature established the five-member County Board of Supervisors in 1853. During fiscal year 2007/2008 the Investment Pooled Money Fund activities included the following:

- The Investment Pool maturity structure has remained in compliance with the Investment Policy, which requires 25% of securities to mature in 90 days, 25% to mature from 91-365 days, and no more than 50% to mature in one to five years; as of June 30, 2008 the Investment Pool has 66.5% maturing in less than one year.
- The Investment Pool had an increase in weighted average days to maturity from 171 days on June 30, 2007 to 427 days on June 30, 2008.
- The Investment Pool’s total net assets increased by 11.1% from \$4.6 billion on June 30, 2007 to \$5.1 billion on June 30, 2008.
- The unrealized change in the fair value of investments showed a gain of \$17.4 million on June 30, 2008 compared to a \$4.3 million unrealized loss on June 30, 2007.
- The weighted average effective yield (annualized) of the Investment Pool decreased from 5.23% for the year ended June 30, 2007 to 3.33% for the year ended June 30, 2008.
- The Investment Pool’s expense ratio remained competitive at 0.13% of the average daily balance for the fiscal year 2007/2008 and 0.14% for 2006/2007.
- The Investment Pool maintained an ‘AAAf/S1’ rating by Standard & Poor’s, a nationally recognized rating agency.

Outline of the Investment Policy

The Investment Pooled Money Fund is managed in accordance with prudent money management principles and California State Law Sections 27000.1 – 27000.5, 27130 – 27137, and 53600 – 53686.

The objectives of the Investment Pooled Money Fund in order of importance are:

1. Safeguard the principal of the funds under the control of the Treasurer’s Office.
2. Meet the liquidity needs of participants.
3. Achieve an investment return on the funds under control of the Treasurer within the parameters of prudent risk management.

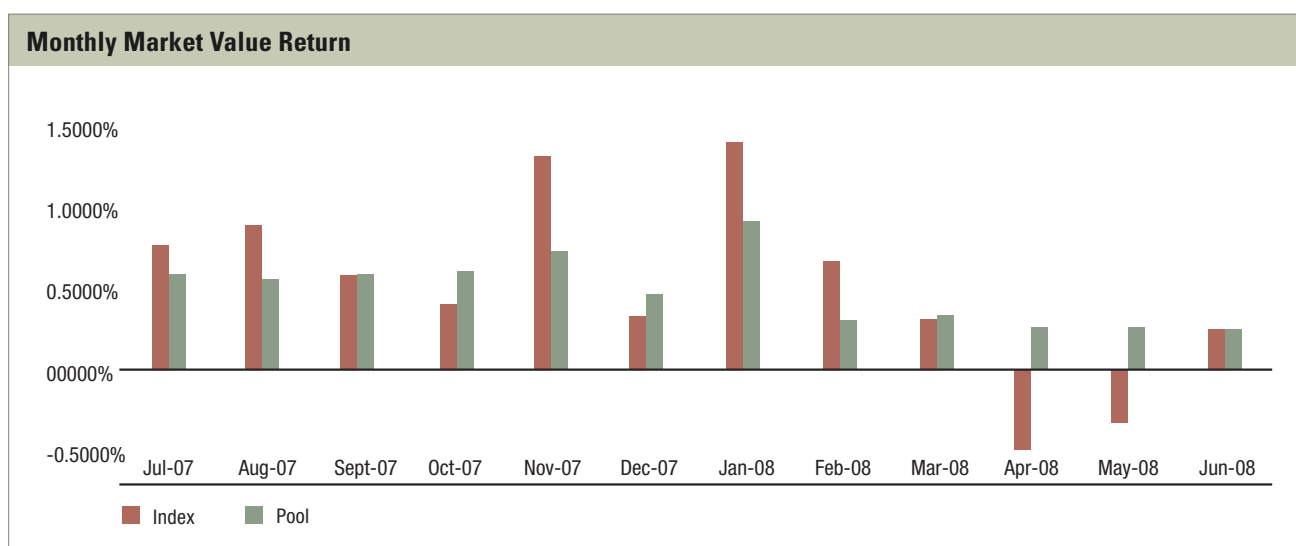
On an annual basis, the Treasurer’s Oversight Committee (TOC) reviews and approves the Investment Policy. Once the TOC has recommended approval, the Board of Supervisors reviews and adopts the Investment Policy in a public forum. The Investment Policy focuses on risk management by setting limits on principal exposure by type of security, issuer of debt, minimum credit ratings, and by liquidity. The Investment Policy includes a detailed section on terms and conditions for Voluntary Participants’ deposits and withdrawal of funds from the Investment Pool. All investment transactions are handled by the internal Investment Officers.

Investment Results

The Investment Pool kept pace with the custom index during the fiscal year. The custom index proved to be more volatile during the year, even dipping into the negative, while the Investment Pool maintained positive earnings throughout the year. The average monthly annualized market value return for the Investment Pool during the fiscal year 2007/2008 was at 0.50% while the average monthly annualized market value return for the index was 0.52%. The custom index is made up of the following components:

Investment Type	Maturity Range	Allocation
Treasuries	1 – 3 years	24.00%
Treasuries	3 – 5 years	24.00%
Treasury Bills	0 – 3 months	12.50%
Treasury Bills	3 – 6 months	9.00%
Treasury Bills	6 – 9 months	9.00%
Treasury Bills	12 months	9.00%
US Libor	1 month	6.25%
US Libor	3 months	6.25%

A chart of the Investment Pooled Money Fund versus custom index is shown below.



Performance Returns - As of June 30, 2008

The Investment Pool performance returns for each asset class are displayed in the following table. The calculations were prepared using a time-weighted rate of return based on the market rate of returns.

Investment Pool Performance Returns			
INVESTMENT TYPE	Reported in Percentages		
	1 Year	3 Years	5 Years
TOTAL PLAN	4.36	4.26	3.38
CUSTOM INDEX	6.76	2.15	1.75
U. S. GOVERNMENT AGENCIES			
Treasury Notes	4.37	3.95	3.47
FHLMC	4.69	4.47	4.07
FHLMC - Qtrly			1.62
FHLB	4.96	3.71	3.18
FHLB Discount Notes	2.06	2.07	2.07
FHLB - Qtrly			1.03
FNMA Discount Notes	2.96	2.96	2.96
FNMA	4.31	3.31	2.87
SLMA	----	----	2.13
FHLMC Discount Notes Act/360	3.66	3.66	3.66
FHLB Discount Notes Act/360	4.49	4.49	4.49
FHLB 30/360	5.13	5.13	5.13
FFCB	4.17	2.61	2.46
SHORT TERM NOTES:			
Medium-Term Notes 30/360	4.03	4.01	3.90
Medium-Term Notes Act/360	5.30	5.18	4.97
Commercial Paper	4.40	4.73	3.46
Asset Backed Notes (Semi Annual)	4.92	3.63	3.27
Asset Backed Notes (Monthly)	4.35	3.88	3.88
Repurchase Agreements	3.84	4.45	3.47
Negotiable CD Fixed	4.89	5.01	3.59
Negotiable CD Act/365	----	3.36	3.36
Negotiable CD 30/360	----	2.44	2.38
Negotiable CD Purchased Int., Disc/360	----	5.16	5.16
Bank Notes 30/360	----	5.30	5.30
Money Market Mutual & Bond Funds	2.98	3.95	2.72
Time Deposits Act/360	4.61	4.65	3.86
Time Deposits Act/365	4.30	4.33	4.31
Time Deposits, Act/365 (Other)	----	----	2.85
Collateralized CD Act/360	4.13	4.44	4.44
Collateralized CD 365/366	4.31	4.42	4.42

Income Allocation

The interest earned by each Investment Pool participant is proportionate to the average daily balance of the local agency. Prior to distribution, expenses incurred by the County are deducted from the realized earnings of the Investment Pooled Money Fund. The Investment Pool's expense ratio for fiscal year 2007/2008 was 0.13% of the average daily balance. The apportionment rate is set approximately two weeks after each calendar quarter-end. Apportionments are not paid out by warrants; all earnings are reinvested in the Investment Pool for the benefit of the participants.

Economic Environment

Federal Reserve Actions in 2007/2008

In response to weakening financial markets, the Federal Reserve reduced the Federal Funds rate by 325 basis points during Fiscal Year 2007/2008. The rate had previously remained constant at 5.25% for fiscal year 2006/2007. This decline in the target rate has significantly reduced the yield on fixed income securities available for purchase.

Fiscal Year 2007/2008 Market Conditions

The 2007/2008 fiscal year saw unprecedented market volatility as a result of a worldwide breakdown in the credit markets. Overexposure to subprime mortgages and collateralized debt obligations led to unparalleled write downs at the top investment banks. Loss of confidence in the firms' leadership saw several CEOs and key personnel ousted, as well as a major restructuring of top management. Short-term lending between institutions nearly halted and mortgage loans were in even greater scarcity. In light of the turbulent market environment, the Pool took significant measures to decrease exposure to corporate credits, particularly financial institutions.

Outlook for Fiscal Year 2008/2009

The 2008/2009 fiscal year has already seen even greater market turbulence. Overleveraging caused some of the world's largest investment banking firms to topple and the remaining firms became "bank holding companies", forcing them to operate more like commercial banks than stand-alone investment banks. In an effort to increase market confidence and stimulate lending, the U.S. government took extraordinary measures to infuse liquidity into the marketplace, spending \$85 billion to bail out a large insurance company and approving the passage of the \$700 billion dollar Troubled Asset Relief Program (TARP). The outlook for this fiscal year remains cautious and more troubles, albeit smaller, are expected. While markets will stabilize in the long run, the new marketplace is shaping up to be one with an overwhelming regulatory presence.

Local Economy

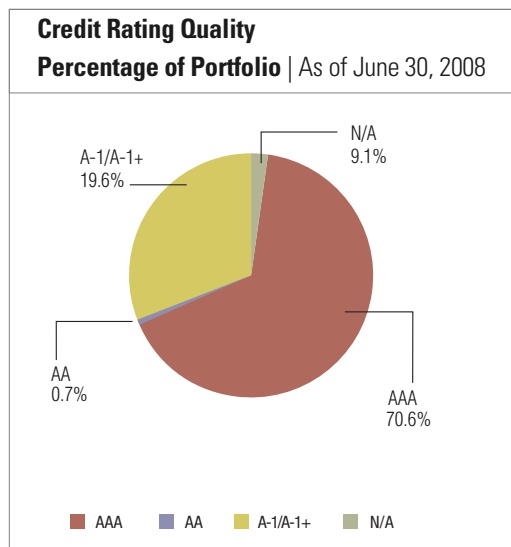
The University of San Diego's Index of Leading Economic Indicators fell 13.8% during the fiscal year. The index components include building permits, initial jobless claims, stock prices, consumer confidence, help wanted advertising and the national economy. The two components leading the index's decline were building permits, down 30% year over year, and employment, with a 25.5% increase in initial claims for unemployment insurance for the first six months of 2008.

Since the early 1990's San Diego County has seen an increasing diversification of economic activity into research, development and product manufacturing in the telecommunications, biotechnology, military products, electronics and information technology areas. This diversification is expected to help maintain overall stability despite the increase in unemployment rates.

Risk Profile

The three main risk factors for the Investment Pooled Money Fund are credit, liquidity and interest rate exposure.

The credit limits of the investments held by the Investment Pool meet the requirements of the Investment Policy and California Government Code. The following pie chart displays the percentage breakdown of credit exposure for the Investment Pool.



San Diego County Investment Pool Participants - As of June 30, 2008 *(Continues on next page)*

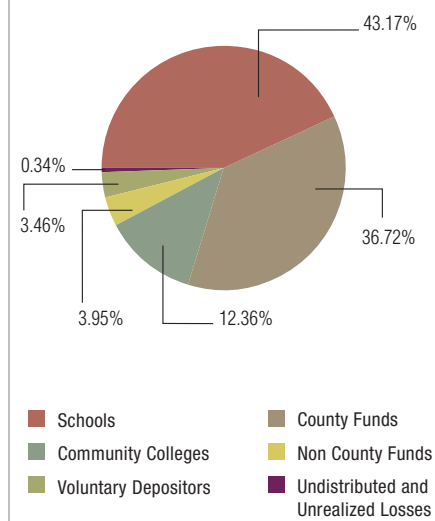
Participant	Percentage Ownership	Participant	Percentage Ownership
County	36.72%	Schools (K thru 12)	
Non-County Investment Funds	3.95%	Ramona Unified	
Schools (K thru 12)		Rancho Santa Fe	
Alpine Union		San Diego Unified	
Autistic Pupils Minor High		San Dieguito Union High	
Autistic Pupils Minor Elem.		San Marcos Unified	
Bonsall Union		San Pasqual Union	
Borrego Springs Unified		San Ysidro	
Cajon Valley Union		Santee	
Cardiff		Solana Beach	
Carlsbad Unified		South Bay Union	
Chula Vista Elementary		Spencer Valley	
Coronado Unified		Sweetwater Union High	
Dehesa		Vallecitos	
Del Mar Union		Valley Center Union	
Encinitas Union		Vista Unified	
Escondido Union		Warner Unified	
Escondido Union High		Education - Cemetery Districts	
Fallbrook Union Elementary		Department of Education	
Fallbrook Union High		Education - Debt Service	
Grossmont Union High		Education - Building Funds	
Jamul-Dulzura Union		Total for Schools	43.17%
Julian Union		Community Colleges	
Julian Union High		San Diego	
La Mesa-Spring Valley		Grossmont	
Lakeside Union		MiraCosta	
Lemon Grove		Palomar	
Mountain Empire Unified		Southwestern	
National		Total for Community Colleges	12.36%
Oceanside Unified		Retirement	0.07%
Pauma		Cities	
Poway Unified		Encinitas	0.00%

San Diego County Investment Pool Participants - As of June 30, 2008 *(Continued from previous page)*

Participant	Percentage Ownership	Participant	Percentage Ownership
Independent Agencies		San Miguel Fire Protection	
Alpine Fire Protection		San Ysidro Sanitation	
Bonita Sunnyside Fire Protection		South County Opeations Center	
Borrego Springs Fire Protection		SDC Regional Airport Authority	
Deer Springs Fire Protection		Spring Valley/Casa de Oro	
East County Fire Protection		Upper San Luis Rey Resource Conservation	
Fallbrook Public Utility		Vallecitos Water District	
Fire Agency Self Insurance System (PASIS)		Valley Center Fire Protection	
Julian-Cuyamaca Fire Protection		Valley Center Cemetery	
Lake Cuyamaca Recreation & Park		Valley Center Cemetery Perpetual	
Lakeside Fire		Vista Fire Protection	
Leucadia Water District		Total for Independent Agencies	3.39%
Lower Sweetwater Fire Protection		Undistributed and Unrealized Gains/Losses	0.34%
Majestic Pines Community Services District		TOTAL	100.00%
Metropolitan Transit Service			
Mission Resource Conservation			
North County Cemetery District			
North County Cemetery Perpetual			
North County Cemetery			
North County Dispatch			
North County Fire Protection			
Otay Water District			
Palomar Resource Conservation			
Pine Valley Fire Protection			
Pomerado Cemetery Perpetual			
Pomerado Cemetery District			
Ramona Cemetery District			
Ramona Cemetery Perpetual			
Rancho Santa Fe Fire Protection			
SANCAL			
SANDAG			
San Diego Rural Fire Protection			
San Dieguito River			
San Marcos Fire Protection			

San Diego County Investment Pool Participants

As of June 30, 2008



Leverage Exposure

The Investment Pool is allowed to have leverage exposure up to 20% of the Portfolio value through the use of Reverse Repurchase Agreements (RRP) and Securities Lending. There were no RRP's or Securities Lending transactions during fiscal year 2007/2008.

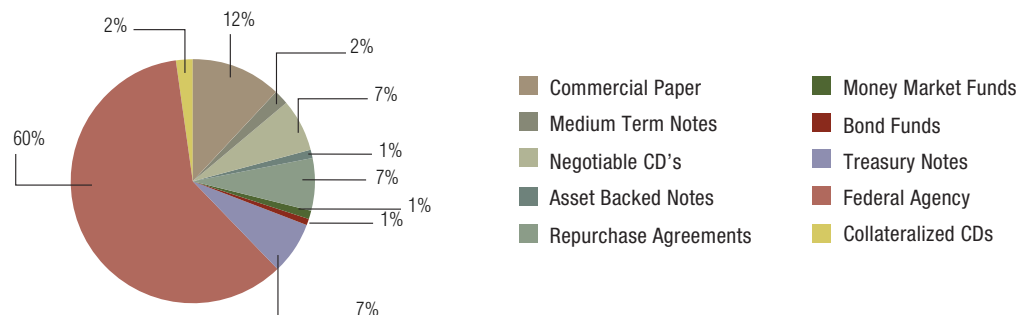
The Investment Pool Statistics table provides a detailed listing of the Investment Pool's diversification, yields by type of securities, and weighted average maturities as of June 30, 2008.

	Percent of Portfolio	Book Value at Amortized Cost	Market Price	Accrued Interest	Market Value	Unrealized Gain/(Loss)	Yield to Maturity	Weighted Average Days to Maturity
U S Treasury Notes	7.45%	\$370,085	101.99%	\$3,236	\$377,359	\$7,274	4.13%	857
FNMA Discount Notes	7.09%	358,768	99.72%	-	358,803	35	2.37%	45
Federal Farm Credit Bank Notes	1.78%	88,930	101.14%	991	90,053	1,123	3.90%	720
Federal Home Loan Bank Discount Notes	5.83%	293,758	99.83%	-	295,180	1,422	2.07%	27
Federal Home Loan Bank Notes	14.85%	747,549	100.81%	10,705	751,966	4,417	4.34%	898
Federal Home Loan Mortg. Corp. Disc Notes	5.41%	273,721	99.89%	-	273,702	(19)	2.16%	18
Federal Home Loan Mortg. Corp. Notes	15.05%	758,781	100.56%	7,077	762,342	3,561	4.05%	955
Fannie Mae	9.54%	483,433	100.11%	5,140	482,904	(529)	3.60%	466
Corporate Medium Term Notes	1.94%	98,667	100.79%	824	98,270	(397)	4.26%	740
Asset Backed Notes	0.78%	38,857	101.34%	178	39,523	666	5.42%	322
Bond Fund	0.69%	35,000	99.70%	81	34,895	(105)	2.50%	1
Money Market Funds	0.86%	43,270	100.00%	1,624	43,270	-	2.25%	1
Repurchase Agreements	7.12%	360,677	100.00%	25	360,677	-	2.52%	1
Negotiable Certificates of Deposit	7.41%	375,000	100.01%	5,811	375,035	35	3.29%	21
Commercial Paper	12.23%	619,374	99.89%	-	619,295	(79)	2.47%	15
Collateralized/FDIC Certificates of Deposit*	1.97%	100,000	100.00%	62	100,000	-	3.25%	181
Totals as of June 2008	100.00%	\$5,045,870	100.36%	\$35,754	\$5,063,274	\$17,404	3.33%	427

*Includes \$35,000,000 in Time Deposits which are classified as Cash on Hand and In Banks in the Statement of Net Assets

A complete list of current and historical Investment Pool holdings is available on the Internet at www.sdtreastax.com. The apportionment rate during fiscal year 2007/2008 was 4.61%. The preceding 3-year average return was 4.36% and 5-year average return was 3.38%.

San Diego County Investment Pool - Asset Allocation at Fair Value - As of June 30, 2008



Schedule of Top Ten Fixed-Income Securities

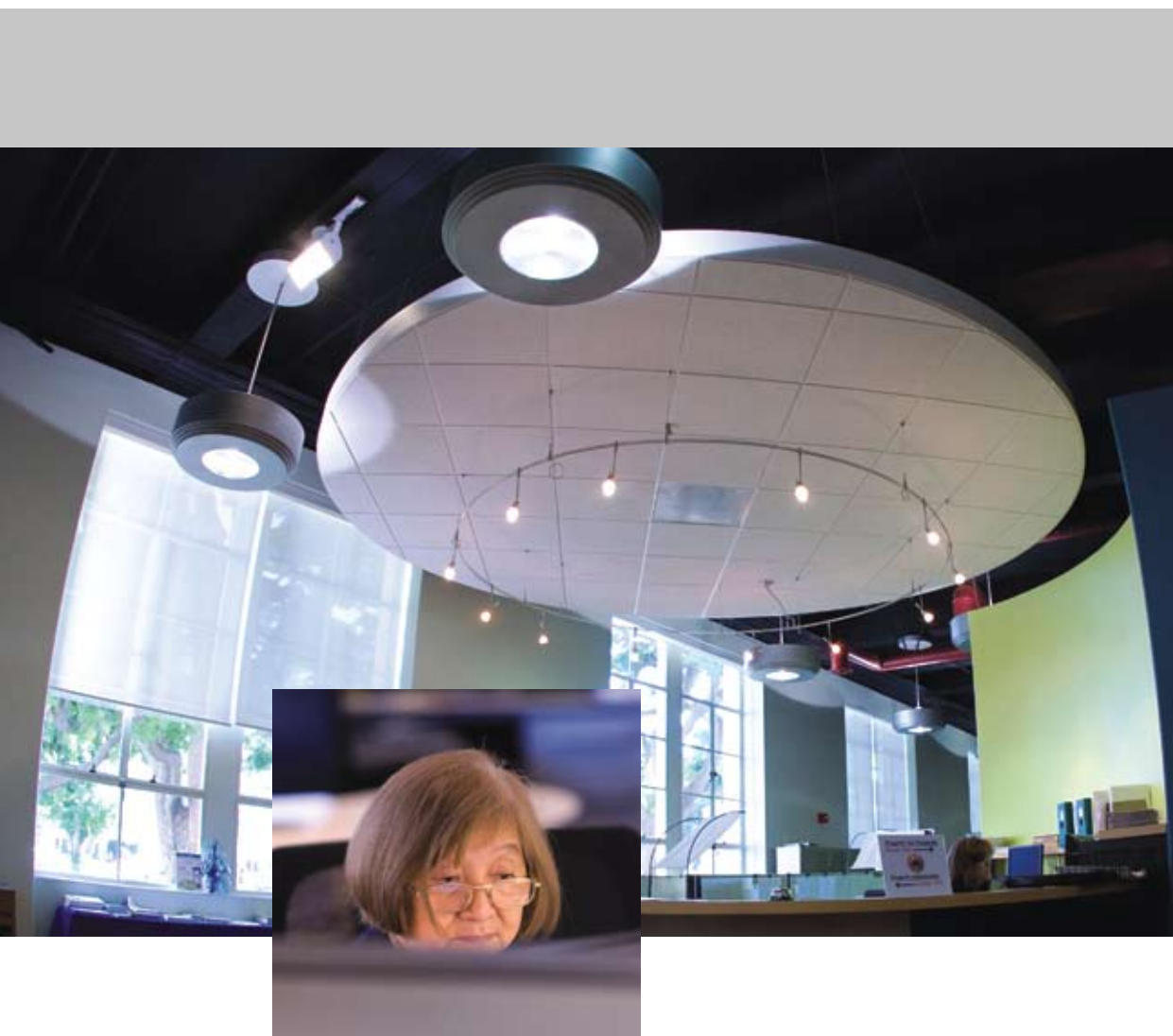
As of June 30, 2008 (amounts expressed in whole numbers)

Security Name	Cusip No.	Par Value	Fair Value
Cantor Fitzgerald Repurchase Agreement	Various	\$200,000,000	\$200,000,000
Commercial Paper BNP Paribas Finance	0556NOG15	130,000,000	130,000,000
Fannie Mae	31359MSQ7	100,000,000	100,090,000
Morgan Stanley Repurchase Agreement	Various	100,000,000	100,000,000
Commercial Paper Rabobank USA Finance	74977KG11	100,000,000	100,000,000
FHLMC Discount Notes	313396YX5	100,000,000	99,990,000
FHLB Discount Notes	313384ZC6	100,000,000	99,960,000
FHLB	3133XP4T8	100,000,000	99,880,000
FHLB Discount Notes	313384ZT9	100,000,000	99,870,000
FHLB	3133XM2H3	95,000,000	95,294,500

Schedule of Fees By Category

Fiscal Year Ended June 30, 2008 (amounts expressed in thousands)

BANKING FEES	
Bank of America	\$24
Wells Fargo	1,283
Armored Transport	143
Banking Fees Total	1,450
CUSTODIAL FEES	
Mellon-Bank of New York	80
Custodial Fees Total	80
APPLICATION FEES	
Bloomberg Trading System	248
Sungard Portfolio Management System	19
Application Fees Total	267
Total Fees	\$1,797



STATISTICAL SECTION

This section presents detailed information on the Investment Pool with historical perspective as a context for understanding and using the information in the financial statements, note disclosures, and required supplementary information.

Introduction

Government Accounting Standards Board (GASB) Statement 44 “Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1)” requires that certain detailed statistical information be presented in this section, typically in ten-year trends, to assist users in utilizing the basic financial statements, notes to the basic financial statements, and required supplementary information in order to assess the economic condition of the Investment Pool. Provisions of this Statement require that governments preparing this statistical section are encouraged but not required, to report all years of information retroactively.

Generally, complete ten-year trend information was unavailable due to the following:

- Accounting data used in the preparation of the Comprehensive Annual Financial Reports prior to the County’s Fiscal Year 2002 implementation of changes in accounting and presentation called for in GASB Statement 34 “Basic Financial Statements and Management’s Discussion and Analysis-for State and Local Governments” was not archived in such a manner to enable a retroactive restatement of previous years accounting data.
- Non-accounting trend data called for by GASB Statement 44, which was significantly different than data reported in previous fiscal years’ statistical tables, was either not available from external sources in the format required or was not available in internal archived data.

Objectives

This section presents detailed information on the Investment Pool with historical perspective as a context for understanding and using the information in the financial statements, note disclosures, and required supplementary information.

The following schedules contain six-year trend information to help the reader assess the changes over time.

- **Schedule of Additions, Deductions of Pooled Investments and Changes In Net Assets.**
This table allows the reader to evaluate the movements of increases and decreases in net assets.
- **Schedule of Earnings, Returns, Expenses, Apportionment Rate, Average Daily Balances (ADB) and Ratio of Fees/ADB.** This table contains information to help the reader assess the Investment Pool’s performance. It also presents the related expenses and its impact on returns.
- **Schedule of Expenses.** This table presents expenses by object to help the reader evaluate the fees and expenses incurred by the Investment Pool.
- **Asset Allocation.** This table presents historical changes in asset allocation to help the reader evaluate portfolio diversity and risk.
- **Asset Value by Major Participant.** This table presents historical changes in value held by the Investment Pool participants to help the reader identify and assess the major group who hold and contribute resources to the Investment Pool.

San Diego County Investment Pool

Schedule of Additions, Deductions of Pool Investments and Changes in Net Assets (1)

(amounts expressed in whole numbers)

FOR THE FISCAL YEARS ENDED:	6/30/2008	6/30/2007	6/30/2006	6/30/2005	06/30/2004	06/30/2003
NET ASSETS, BEGINNING OF YEAR	\$4,566,611,085	\$4,004,178,164	\$4,131,299,129	\$3,799,621,101	\$3,858,274,156	\$3,252,138,901
ADDITIONS						
Additions to Pooled Investments (2)	11,314,634,544	11,909,698,604	28,473,113,569	26,593,131,286	37,800,817,256	36,207,523,331
Net Increase/(Decrease) in Fair Value of Investments	85,028,266	(22,259,995)	28,912,662	(27,930,661)	(36,912,555)	(3,735,502)
Net Investment Income	201,627,108	206,546,440	140,131,928	93,727,388	66,442,613	78,505,059
TOTAL ADDITIONS	11,601,289,918	12,093,985,049	28,642,158,159	26,658,928,013	37,830,347,314	36,282,292,888
DEDUCTIONS						
Deductions from Pooled Investments (2)	10,893,808,772	11,325,005,688	28,629,147,195	26,233,522,597	37,821,417,224	35,596,672,002
Distribution to Participants/Portfolio Owners	197,271,678	202,150,125	136,174,373	89,470,591	63,539,605	75,555,211
Administrative Expenses	4,355,430	4,396,315	3,957,556	4,256,797	4,043,540	3,930,420
TOTAL DEDUCTIONS	11,095,435,880	11,531,552,128	28,769,279,124	26,327,249,985	37,889,000,369	35,676,157,633
CHANGES IN NET ASSETS	505,854,039	562,432,921	(127,120,965)	331,678,028	(58,653,055)	606,135,255
NET ASSETS, END OF YEAR	\$5,072,465,123	\$4,566,611,085	\$4,004,178,164	\$4,131,299,129	\$3,799,621,101	\$3,858,274,156

(1) 10 year trend data is unavailable, see explanatory information contained in Introduction to Statistical Section

(2) In Fiscal Year 2005/2006 and prior years, the Investment Pool reports included interfund activity in additions and deductions. As of Fiscal Year 2006/2007, the report has been revised to reflect elimination of interfund activity. The report is now on a net cash inflow and outflow basis which management believes is more representative of the Investment Pool's inflows and outflows and accounts for the significant decrease in additions and deductions in comparison to the prior year.

San Diego County Investment Pool

Schedule Of Earnings, Returns, Expenses, Apportionment Rate, Average Daily Balances (ADB) and Ratio Of Fees/ADB (1)

(amounts expressed in whole numbers)

FISCAL YEAR	INTEREST EARNINGS	EFFECTIVE YIELD	EXPENSES	NET DISTRIBUTED	APPORT. RATE	AVG. DAILY BALANCES (IN MILLIONS)	RATIO OF FEES/ADB
2007/2008	\$203,423,635	4.05%	\$6,151,957	\$197,271,678	4.61%	\$4,619.3	0.13%
2006/2007	208,254,888	4.58%	6,104,763	202,150,125	5.00%	4,277.6	0.14%
2005/2006	141,493,964	3.54%	5,319,592	136,174,372	3.47%	4,154.7	0.13%
2004/2005	94,916,466	2.32%	5,445,875	89,470,591	2.24%	4,182.8	0.13%
2003/2004	67,583,142	1.64%	4,043,540	63,539,602	1.59%	4,168.7	0.10%
2002/2003	79,485,631	2.38%	3,930,420	75,555,211	2.32%	3,430.2	0.11%

(1) 10 year trend data is unavailable, see explanatory information contained in Introduction to Statistical Section

San Diego County Investment Pool - **Schedule of Investment and Administrative Costs (1)**

(amounts expressed in whole numbers)

FOR THE FISCAL YEARS ENDED:	6/30/2008	6/30/2007	6/30/2006	06/30/2005	06/30/2004	06/30/2003
INVESTMENT EXPENSES:						
Banking	\$1,449,664	\$ 1,317,570	\$ 1,071,080	\$ 857,252	\$ 967,323	\$ 807,794
State Street Bank - Custodial	-	84,971	94,496	109,612	88,182	88,974
Bank of New York - Custodial	80,000	31,250	-	-	-	-
Bloomberg	248,093	256,232	185,417	217,186	56,600	52,745
Sungard Financial Systems	18,770	18,425	11,043	5,028	28,424	31,059
Total Investment Expenses	1,796,527	1,708,448	1,362,036	1,189,078	1,140,529	980,572
ADMINISTRATIVE EXPENSES:						
Allocated Costs by County:						
Equipment Cost	56,252	16,985	56,336	55,153	65,815	57,566
Computer-Related Expenses						
Software Services	4,187	12,903	163,011	10,161	56,371	40,500
Wassau Financial System	69,574	149,196	163,990	232,007	-	-
OTG Software Inc		-	-	-	-	77,490
Salaries & Benefits	2,621,940	2,611,336	2,107,955	1,947,523	1,750,405	1,540,932
Services & Supplies	576,586	485,834	269,158	1,016,979	106,680	402,262
Department Overhead	519,810	502,131	400,395	210,900	347,421	242,346
External Overhead	287,081	397,930	576,711	564,074	426,319	438,752
Sub-Total	4,135,430	4,176,315	3,737,556	4,036,797	2,753,011	2,799,848
Auditor & Controller Allocated Cost	220,000	220,000	220,000	220,000	150,000	150,000
Total Administrative Expenses	4,355,430	4,396,315	3,957,556	4,256,797	2,903,011	2,949,848
Total Expenses	\$6,151,957	\$ 6,104,763	\$ 5,319,592	\$ 5,445,875	\$ 4,043,540	\$ 3,930,420

(1) 10 year trend data is unavailable, see explanatory information contained in Introduction to Statistical Section.

San Diego County Investment Pool - **Asset Allocation at Fair Value (1)**

(amounts expressed in thousands, except percentages)

INVESTMENT TYPE	6/30/2008		6/30/2007		6/30/2006		6/30/2005		6/30/2004		6/30/2003	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
U.S. Government Agencies	\$3,014,950	59.96%	\$ 643,197	14.14%	\$ 1,645,272	41.19%	\$ 1,793,294	43.92%	\$ 1,460,381	38.82%	\$1,586,692	42.18%
U.S. Treasury Notes	377,359	7.50%	319,459	7.02%	-	0.00%	98,555	2.41%	123,016	3.27%	-	0.00%
Commercial Paper	619,295	12.32%	1,708,348	37.54%	1,190,899	29.82%	1,135,940	27.82%	1,049,756	27.91%	1,209,651	32.16%
Corporate Medium-Term Notes	98,270	1.95%	228,303	5.02%	324,129	8.12%	294,883	7.22%	175,232	4.66%	61,300	1.63%
Repurchase Agreements	360,677	7.17%	302,494	6.65%	218,391	5.47%	50,000	1.23%	200,000	5.32%	325,000	8.64%
Negotiable Cert. of Deposit	375,035	7.46%	1,190,259	26.16%	484,821	12.14%	623,287	15.27%	669,739	17.80%	325,275	8.65%
Money Market Mutual Funds	78,165	1.56%	56,950	1.25%	54,050	1.35%	27,600	0.68%	34,400	0.91%	319,100	8.48%
Asset Backed Notes	39,523	0.79%	46,141	1.01%	76,307	1.91%	59,128	1.45%	49,313	1.31%	-	0.00%
Collateralized Cert. of Deposit	65,000	1.29%	55,000	1.21%								
TOTAL	\$5,028,274	100.0%	\$ 4,550,151	100.0%	\$ 3,993,869	100.0%	\$ 4,082,687	100.0%	\$ 3,761,837	100.0%	\$3,827,018	100.0%

(1) 10 year trend data is not available, see explanatory information contained in Introduction to the Statistical Section.

San Diego County Investment Pool - **Participant Asset Value (1)**

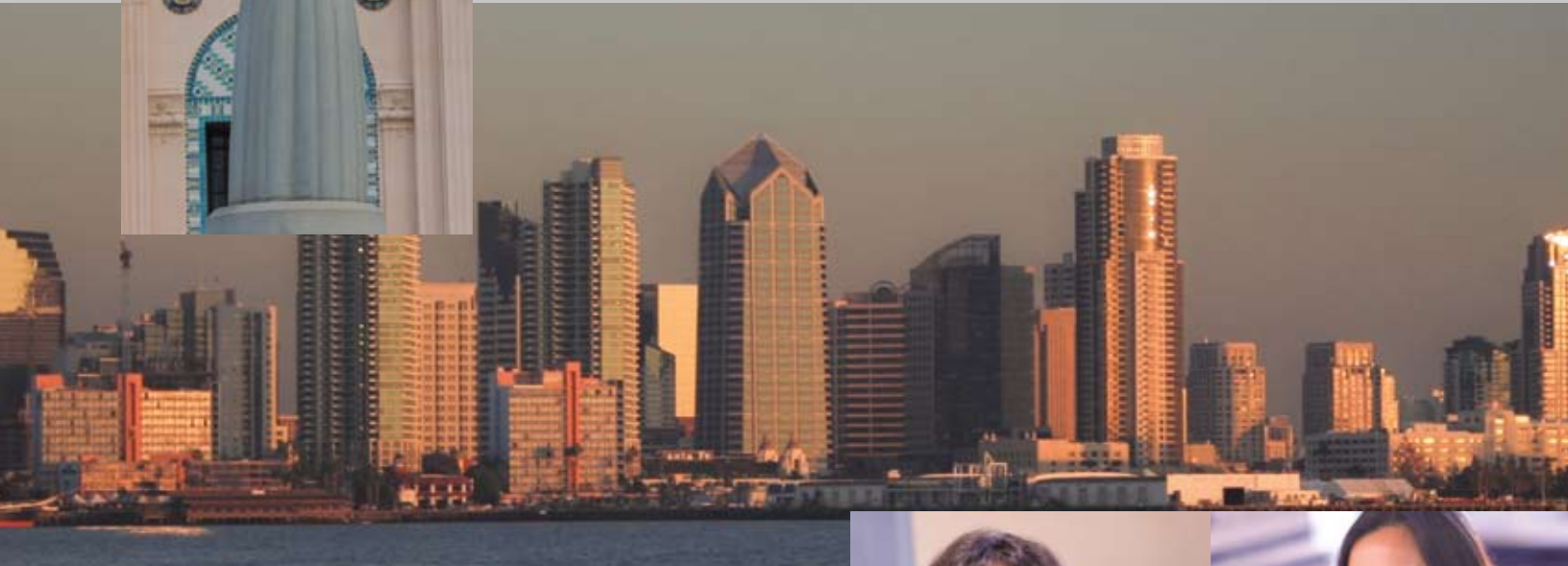
(amounts expressed in thousands, except percentages)

PARTICIPANT	6/30/2008		6/30/2007		6/30/2006		6/30/2005		6/30/2004		6/30/2003	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
County	\$1,846,556	36.72%	\$ 1,886,003	41.44%	\$ 1,512,448	37.87%	\$ 1,326,085	32.48%	\$ 1,419,976	37.75%	\$1,084,197	28.33%
Non County Investments	198,535	3.95%	241,386	5.31%	238,034	5.96%	388,864	9.52%	126,864	3.37%	484,839	12.67%
K-12 Schools	2,170,480	43.17%	1,974,358	43.39%	1,963,386	49.16%	1,946,789	47.68%	1,887,028	50.16%	1,820,997	47.58%
Community Colleges	621,438	12.36%	375,286	8.25%	224,455	5.62%	354,746	8.69%	231,956	6.17%	274,865	7.18%
Voluntary Deposits	173,982	3.46%	77,426	1.70%	74,685	1.87%	94,134	2.31%	124,800	3.32%	152,709	3.99%
Undistributed and Unrealized Gains/Losses	17,283	0.34%	(4,308)	-0.09%	(19,139)	-0.48%	(27,931)	-0.68%	(28,787)	-0.77%	9,411	0.25%
TOTAL	\$5,028,274	100.00%	\$ 4,550,151	100.00%	\$ 3,993,869	100.00%	\$ 4,082,687	100.00%	\$ 3,761,837	100.00%	\$3,827,018	100.00%

(1) 10 year trend data is unavailable, see explanatory information contained in Introduction to Statistical Section.







San Diego County Treasurer-Tax Collector
1600 Pacific Highway, Room 152, San Diego, CA 92101



30% Post-Consumer Waste